



Petroleum Market Report

September 7, 1999

Energy Information Administration
Office of Oil & Gas

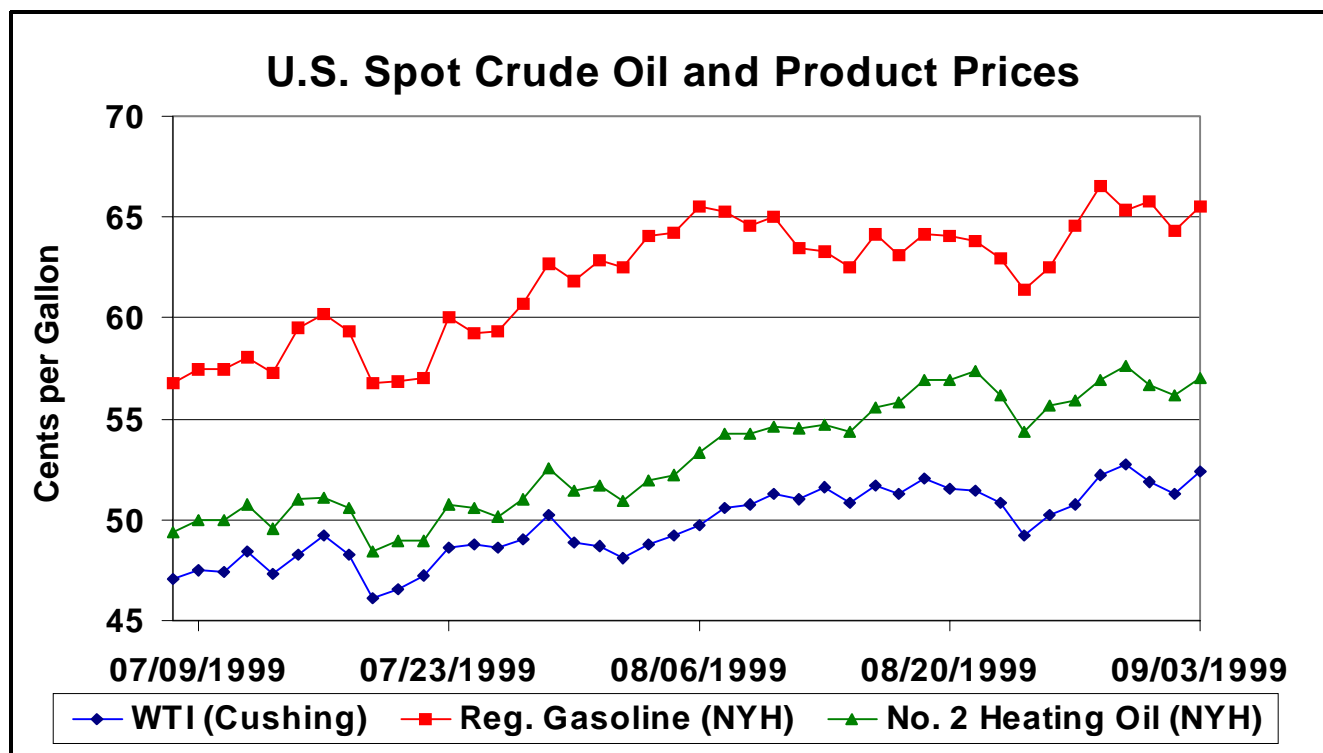
MARKET SUMMARY

Spot and futures prices moved unsteadily upward on U.S. petroleum markets last week, with gasoline taking center stage, appropriate to the end of the peak summer driving season. Crude oil and products started the week on an upswing, all reaching new multi-year highs, following the previous weekend's producer meeting in Caracas, Venezuela, which resulted in assurances of continued output cuts. An unexpected crude oil stockbuild in the weekly supply reports began a midweek decline, but markets ended the week with an upward move on Friday, ahead of the 3-day Labor Day weekend.

Crude oil - prices posted a solid net increase, with WTI spot and futures ending the week at \$22 per barrel after reaching a new 23-month peak on Tuesday. The Caracas meeting between Saudi Arabian, Mexican, and Venezuelan officials produced pledges by the 3 major oil exporters to maintain current output levels through March 2000, setting a bullish tone for markets ahead of the September 22 OPEC meeting. Stockbuilds in the weekly API and EIA reports for the week ending August 27, though unexpected, were seen as partially the result of refinery shutdowns due to Hurricane Bret.

Gasoline - alternately led or countered movements in other prices throughout the week. Monday's New York Harbor spot price, at 66.55 cents per gallon, was the highest in almost 2 years, but markets turned downward the next day as the September NYMEX contract expired. Prices generally softened for the remainder of the week, as the summer driving season ended uneventfully. West Coast markets, which have been volatile since February, have settled into a trading range less than 10 cents over the Gulf Coast.

Distillate - prices followed crude oil throughout the week, including a rise to a 20-month high on Tuesday. Mixed, but small, stock changes in API and EIA reports left inventories high in their seasonal range.



CHRONOLOGY OF RECENT MARKET EVENTS

- 9/3 - rising** - gasoline led all prices higher in a shortened NYMEX trading session ahead of the 3-day holiday weekend. Market activity was characterized as short-covering after midweek losses and pre-weekend position-squaring, further complicated by mixed reports on August OPEC output.
- 9/2 - falling** - prices moved lower across the board, with profit-taking reportedly ruling markets in the last full trading day before the Labor Day weekend. Gasoline led the decline, as the peak summer driving season came to an end with supplies still ample despite record demand.
- 9/1 - mixed** - gasoline prices increased, and crude and heating oil fell, generally reversing Tuesday's price movements. Unexpected stockbuilds in the weekly supply reports undercut crude prices, while gasoline was supported by news that several units remained shut at Citgo's Corpus Christi refinery.
- 8/31 - mixed** - crude oil and distillate prices rose for a fourth day, while gasoline turned downward ahead of NYMEX September product contract expiration at the close. Spot WTI closed at \$22.15 per barrel, a new 22-month high, with markets still bullish following the Caracas meeting.
- 8/30 - rising** - all prices rose solidly following the weekend meeting of oil producers in Caracas, with NYMEX October WTI closing above \$22 per barrel for the first time. The meeting between Saudi Arabia, Mexico, and Venezuela produced assurances that existing output cuts would be maintained at least through March 2000.
- 8/27 - rising** - gasoline led a second day of rising prices, with a number of bullish influences contributing support. The movement of Hurricane Dennis toward possible landfall in the southeastern U.S., a weekend producers' meeting in Caracas, a downed cat cracker at a Louisiana refinery and impending NYMEX September product contract expiration all factored into the increases.
- 8/26 - rising** - prices headed higher in a sharp reversal after a two-day selloff. Comments by Venezuela's oil minister, ahead of Saturday's meeting with Saudi Arabian and Mexican officials in Caracas, centered on keeping output cuts in place through at least March 2000.
- 8/25 - falling** - spot and futures prices fell sharply marketwide for a second straight day, apparently sparked by relatively bearish product stock data in the weekly API and EIA supply reports. Larger-than-expected crude oil stockdraws in both reports provided insufficient support for markets.
- 8/24 - falling** - all prices moved lower, with an announced German government selloff of crude oil reserves the most significant factor. Little support was evident from other sources, given expectations of relatively modest stock changes in the weekly API and EIA reports, and forecasts that three Atlantic tropical weather systems posed no current threat to petroleum infrastructure.
- 8/23 - mixed** - crude oil and gasoline prices eased, as four refineries in Corpus Christi began restarting following Hurricane Bret's pass to the south on Sunday. Heating oil prices moved moderately higher, aided by strong natural gas prices partly due to storm-related production shut-ins.